



Date: December 14, 2004
To: Gerald R. Miller, City Manager
From: Melanie S. Fallon, Director of Community Development
For: Mayor and Members of the City Council
Subject: QUESTIONS FROM THE DECEMBER 7 STUDY SESSION

On December 7, 2004, the City Council held a study session on its role in the redevelopment process. Members of the City Council asked a number of questions, some of which were answered at the meeting and others that needed further detail. This memorandum provides responses to the requested information.

1. Please provide a list of completed projects along with a description of who was involved, the City Council, Redevelopment Agency or both.

In the City of Long Beach, a number of organizations are involved in the effort to improve the local economy and eliminate urban blight. The Redevelopment Agency Board has important responsibilities and the Long Beach City Council also has significant economic development responsibilities. The City Council is responsible for the business attraction, retention, façade programs and small business loan function of the Economic Development Bureau. The City Council oversees job training activities performed by the Workforce Development Bureau and the efforts of the Neighborhood Services Bureau to eradicate blight. The City Council directs the Property Services Bureau and Project Development Bureau that have undertaken important economic development projects on City-owned land including the Airport.

The Redevelopment Agency undertakes many redevelopment projects using tax increment. There have been occasions when the Redevelopment Agency did not have sufficient resources to undertake projects and requested the assistance of the City Council. These projects are listed in Exhibit A. The City Council understood the importance of those redevelopment projects and stepped forward to provide nearly \$18 million in direct assistance, in most cases without any requirement for repayment by the Redevelopment Agency.

The City Council has undertaken important development projects without the assistance or involvement of the Redevelopment Agency. Recent projects include the Pike, Marina Pacifica, Long Beach Towne Center, Aquarium of the Pacific, various industrial and commercial developments surrounding the Long Beach Airport, Douglas Park, Los Altos Gateway Shopping Center, Circle Imports Auto Dealership, Long Beach Toyota, Sky Links Golf Course, the Tech Park, the Navy Base Port Expansion and Enterprise Car Sales.

2. How many public investments has the Redevelopment Agency made?

Redevelopment agencies in California have funded public improvements as a method of fighting blight for more than one half century. Community Redevelopment Law, the redevelopment plans for each of our seven-redevelopment project areas and the implementation plans specifically include the provision of public facilities by the Redevelopment Agency. Community Redevelopment Law permits redevelopment agencies to provide public improvements when other sources of funding are not available. The Redevelopment Agency has allocated \$77 million for public improvements for Fiscal Years 2002, 2003, 2004 and 2005. Exhibit B contains a listing of the Redevelopment Agency's recent public improvement projects.

3. How much redevelopment funding has been provided for open space?

Since fiscal year 2002, the Redevelopment Agency has provided funding for Daryle Black Park, the Park on 55th Way, Plymouth and Elm and Market and Dairy (Exhibit B). The total allocation for these projects is \$4.3 million. The proposed Redevelopment Agency bond issue will probably provide funding for additional parkland acquisition.

4. Please provide a list of projects completed or projected that benefited the General Fund and their value.

Many of the Redevelopment Agency's projects and programs are similar to those funded by the General Fund in communities that do not have a redevelopment agency. A list of those projects and programs and the amount the Redevelopment Agency has expended or has budgeted for future years is also contained in Exhibit B. In addition to these specific projects, whenever new retail development is added in Long Beach, additional sales tax revenue is generated that accrues to the General Fund.

5. What other projects could the City have done besides the Plaza with the federal funds it loaned to the Redevelopment Agency?

The City Council loaned federal grants to the Redevelopment Agency for its projects and programs. Some were awarded to the City of Long Beach for specific projects and could not have been used for other purposes. Other federal grants, such as the HOME and CDBG, are used to address City priorities under specific eligibility criteria of the grants. The City Council supported the development of Long Beach Plaza by loaning federal grant funding to the Redevelopment Agency. Of the federal funding loaned to the Redevelopment Agency, only CDBG could have been used for other purposes (within eligibility criteria).

6. What is the financial status of the Pike, Marina Pacifica and the Long Beach Towne Center? How much time and City Council involvement was required?

The Pike, Marina Pacifica and Long Beach Towne Center projects were undertaken by the City Council without Redevelopment Agency involvement. City Council approvals were required at each critical step in the creation of those important new retail centers. Each of the retail centers is privately owned and is successfully operating today providing jobs, sales tax and shopping opportunities for Long Beach. Some of the financial details include:

Marina Pacifica

- There is a Sales Tax Sharing Agreement between Marina Pacifica and the City of Long Beach that splits proceeds above \$112,062, 50/50. In FY04, the City transferred \$158,664 of sales tax proceeds to Marina Pacifica. The Agreement is scheduled to end in 2011.
- FY03 sales tax received by the City was \$315,171 (net revenue sharing). *note- FY04 data isn't available at this time*

Towne Center

- The City participated in a "Community Facility District" (CFD) financing with the developer to complete public infrastructure improvements. The developer pays this annual cost.
- The City receives annual lease revenue from Towne Center that is deposited into the General Fund. It is estimated that \$3.2 million will be received in FY05.
- FY03 sales tax received by the City was \$2.5 million. No sales tax sharing agreement exists with Towne Center. *note- FY04 data isn't available at this time*

Pike at Rainbow Harbor

- The City participated with the developer to construct the Pike parking garage. Annual debt service is about \$3.2 million and paid from parking revenues (revenue shortfall is covered by City Tideland funds).
- The developer pays the Annual PBID assessment for Pike property within the Downtown PBID.
- FY03 sales tax received by the City was \$28,760, but the project was only partially open during that time. It is estimated the Pike will generate about \$300,000 in sales tax revenue within the next couple of years. *note- FY04 data isn't available at this time.*
- It is estimated the Pike development will generate \$658,000 in net tax increment for FY05.

7. What was the City involvement with Trader Joes?

Trader Joes was brought to Bixby Knolls as part of a Redevelopment Agency project. The total development subsidy provided by the Agency was \$2.3 million. Trader Joes is also a tenant in the Market Place Shopping Center. This project was approved by the City Council and did not involve the Redevelopment Agency.

8. Where does Los Altos tax increment go today?

The Los Altos Redevelopment Project Area received a \$12.7 million loan from the West Long Beach Industrial Project Area (WLBI) to reconstruct the Los Altos Shopping Center. Because Los Altos Redevelopment Project Area's tax increment was not sufficient to repay the loan, the City Council also pledged any increase in sales tax from the Los Altos Center to the Los Altos Project Area, specifically for repayment of the WLBI Project Area loan. For fiscal year 2005, tax increment of \$203,000 and sales tax of \$580,000 will be transferred to the WLBI for loan repayment.

9. Why hasn't the Los Altos Project Area repaid its loan from the WLBI Project Area?

Each year the Los Altos Project Area uses its tax increment and sales tax provided by the City to repay the WLBI Project Area debt. The projected payment for fiscal year 2005 (FY 05) is \$783,000. The existing debt as of FY2003 was \$9.3 million. Currently, it's anticipated the existing debt will be repaid over the next 14 years.

10. What is the \$4 million Los Altos bond issue for?

If the Redevelopment Agency and City of Long Beach approve the sale of bonds for the Los Altos Project Area, all of the bond proceeds would be used to pay down the WLBI Project Area debt. If this occurs it will shorten the estimated 14 year repayment schedule.

11. What training is provided to current Redevelopment Agency Boardmembers?

The Redevelopment Agency Boardmembers that are nominated by the Project Area Committees (PACs) generally have been a member of a PAC and bring that experience to their position as Board members. Positions filled by the Mayor and City Council are often individuals with experience in real estate, finance, business or architecture. To gain additional understanding of Redevelopment, Agency Board members often attend redevelopment workshops and seminars run by the California Redevelopment Association. In addition, Agency staff provides information on redevelopment finance, law and appropriate techniques in study sessions held throughout the year.

12. How much is the Downtown Project Area receiving after debt payment?

The FY05 budgeted net revenue (tax increment + misc. revenue – minus – debt service, ERAF and 20% housing set-aside) is \$2.4 million. It is estimated additional tax increment will be received in FY05 resulting from increased property assessments. This information will be available May 2005.

13. The General Fund is owed money by various Project Areas. How is that paid back? How would that be paid back? What is the legal mechanism? Is it actual debt to the General Fund? Is it a legal and established practice in other cities?

The legal mechanism for Redevelopment Agency repayment of debt to the City is quite simple. The Redevelopment Agency can approve loan payments to the City at any time by simply amending its budget to include the payment. However, the City Council does not have the ability to compel the Redevelopment Agency to provide a loan payment.

Redevelopment agencies need debt to collect tax increment. Most redevelopment agencies in California have existing debt to their cities and utilize established redevelopment-financing techniques to create debt. Long

Beach follows these same techniques.

The City of Long Beach has loaned money to redevelopment project areas. Most of the loans were federal grants loaned by the City to the Redevelopment Agency. The City and Redevelopment Agency entered into loan agreements that were approved by both bodies. The loan agreements are legally binding and are "real debt." The City Attorney has taken the position that the Agency debt to the City is very real (Exhibit C). The validity of this debt has not been questioned in the past.

A redevelopment project area must have debt to receive tax increment. The Redevelopment Agency must file a Statement of Indebtedness (SOI) that lists all of its debt obligations with Los Angeles County to receive tax increment. All of the City loans to the Redevelopment Agency are listed on the SOI and have been accepted as "real debt" by Los Angeles County. Los Angeles County has paid tax increment to Long Beach project areas for nearly 30 years and a portion of those tax increment payments were based solely on debt to the City. The Central Long Beach Project Area currently has no bond debt and receives tax increment from Los Angeles based on its City debt. The Poly High Project Area sold bonds for the first time in 2002 and received tax increment for the prior 27 years only as a result of its debt to the City.

Most of the loan agreements do not contain a repayment schedule and leave the timing of the repayment to the discretion of the Agency. Staff is unaware of any agreement or that the project areas would not repay City loans until after the redevelopment plans end. The loan agreements were written to provide maximum flexibility to the Redevelopment Agency. The Agency may make loan payments in any year it chooses to or it can choose to wait until redevelopment ends in a project area before repaying City debt. The Redevelopment Agency has, on numerous occasions in the past, chosen to make loan payments to the City.

In 2000, the City Council asked the Redevelopment Agency to pay for the development fees and some of the planning costs for the Pike project, as it was located in the Downtown Project Area. The amount of these costs was approximately \$1.5 million. The Redevelopment Agency declined to pay these costs and instead approved a note (Queensway Bay Note) promising to repay the City for these costs at a future date.

In 2003, staff recommended to the Redevelopment Agency it would be an appropriate time to repay a portion of its debt to the City given the severity of the City's budget crisis and the City Council's past assistance to Agency projects. Staff recommended that the Downtown Project Area provide a

\$2.3 million payment to the City. The Redevelopment Agency Board chose to provide a \$1.3 million payment to the City and specified that the funds be used to repay the Queensway Bay Note. At the time, the Queensway Bay Note had a balance of \$1.7 million and the Redevelopment Agency requested that the note be discounted to \$1.3 million in exchange for its early repayment.

In 2004, the City Council approved its FY 05 Budget that contained a request for \$1.3 million from the Redevelopment Agency. The Redevelopment Agency Board asked staff to find a way for the Redevelopment Agency to assist the City by paying for projects rather than providing a cash payment. Staff is currently working to determine the best way to fulfill the Redevelopment Agency's request.

14. Can affordable housing go up to 120% of the median?

Community Redevelopment Law requires the Redevelopment Agency to use 20 percent of its tax increment to produce, rehabilitate or preserve affordable housing. Affordable housing includes units that are affordable to households earning up to 120 percent of median income.

15. Do we exceed the 20% set-aside for affordable housing?

The Redevelopment Agency deposits 20 percent of its tax increment (housing set-aside) into the Housing Development Fund as required by Community Redevelopment Law. The Redevelopment Agency could adopt a policy allocating a greater percentage of its tax increment for affordable housing, but has not done so.

16. Should we be focusing on building more affordable housing when the affordable housing we have is somewhat of a low quality stock? Who sets this [affordable housing] policy?

Because of the age, and in some situations, poor maintenance of the City's existing housing stock, there is an immediate need for both renovation and construction of new affordable housing. The City's Housing Action Plan (HAP) adopted by City Council on June 1, 2004, addresses both of these needs.

The five-year Plan establishes priorities for using funding in addressing Long Beach housing issues. HAP funding primarily consists of Redevelopment 20 percent set-aside and federal HOME grant; and allocates \$32.5 million (about 47% of anticipated revenue) toward new construction and \$36.5 million (about 53% of anticipated revenue) for rehabilitation. The HAP

focuses efforts on three neighborhoods with significant housing issues in North and Central Long Beach.

The HAP was developed and recommended to the City Council through a community process including the involvement of the Long Beach Housing Development Company (LBHDC). As the City's non-profit housing developer, the LBHDC will act as lead agency in implementing the HAP. Council approval will be required for annual budget and large-scale projects.

17. Since the date of the loan from the General Fund to the Downtown Project Area, how many projects that would have been paid for from the General Fund have been paid for by Redevelopment funds?

For the purpose of answering this question, let us assume that any public improvement funded by the Redevelopment Agency in the Downtown Project Area would have been funded by the General Fund if not for redevelopment. Public improvements funded by the Redevelopment Agency include the CityPlace Parking Structure, the Promenade, costs related to the Convention Center and Pine Avenue Streetscape improvements.

18. What is the total cost of these projects?

The total cost of these specific projects with the exception of the Pine Avenue Streetscape Improvements (\$1 million), could not be determined on short notice. A review of Downtown Project Area expenditures since 1975 indicates that most project area expenditures were for land acquisition. However, we should note that the City Council and Redevelopment Agency have each participated in development within the Downtown Project Area. For example, the City Council supported the development of CityPlace by investing \$10 million through the Redevelopment Agency for this project (Exhibit A). The City Council was also responsible for Pike development.

19. How much does the Redevelopment Agency and/or the General Fund owe the WLBI Project Area?

The General Fund does not owe money to the WLBI Project Area. However, the West Beach, Downtown, Los Altos and Central Long Beach Project Areas have debt to the WLBI Project Area. These debts are described in the Redevelopment Agency's Annual Financial Report that is prepared by the City Auditor each year. The most recent report for fiscal year 2003 lists the following interproject debt to the WLBI Project Area:

Project Area	Balance	Purpose
West Beach	\$296,000	Wrigley Marketplace
Downtown	14,253,000	Several Projects
Los Altos	9,291,000	Los Altos Shopping Center
Central	2,211,000	Wrigley Marketplace
Total	\$25,951,000	

20. How much time is spent by the typical Redevelopment Agency Boardmember who is not involved in a lot of the subcommittee work?

The Redevelopment Agency Board meets on the second and fourth Mondays of each month. Considering the need for study sessions, closed sessions, and regular meetings, the average time commitment is about six hours each month. This does not include sub-committee work, which can be quite extensive when reviewing proposed development designs.

21. If the Central Project Area used Redevelopment funds for some infrastructure and public facilities (as the North Project Area has done) what could the estimated savings be to the General Fund?

The Central Redevelopment Project Area will receive an estimated net tax increment amount of \$4,635,000 in FY 05. The project area also has the ability to receive \$48 million from the sale of bonds. A portion or all of these funds could be used for infrastructure and public facilities improvements. Due to budget constraints, the current General Fund budget has very little money programmed for infrastructure and public facilities in the Central Project Area.

22. What potential redevelopment projects are planned for the Fourth District? What other types of improvements could be made over time in the Fourth District portion of the Central Project Area (median improvements, facade improvements, etc.)?

The Redevelopment Agency does not have any approved projects in the Fourth District. Staff is creating a proposed list of projects for the Central Project Area bonds and will be seeking the help of each City Council office to create a final list. Staff will work with the City Council, the Redevelopment Agency and the PACs to ensure that the proposed \$160 million bond issue will be used to fund the most important redevelopment projects in Long Beach.

23. Estimate the dollar savings in staff time that would occur if there were only one policy board, the City Council, overseeing redevelopment.

Proposals for new redevelopment projects and programs originate with City Council members, developers, staff, PACs and the public. Before these projects and programs are proposed to any public body, staff spends considerable time attempting to achieve consensus among all of the groups listed above. Often members of the Agency Board and members of the City Council initially have different ideas regarding how a project should be implemented or whether it should be implemented at all. It is possible that this process of consensus building would be streamlined if only one public body granted redevelopment approvals.

After a general consensus on a redevelopment project is reached, it is still necessary to complete a dual approval process. Projects must be scheduled for Agency Board review at Redevelopment Agency Board meetings and, if they are approved, then scheduled for approval by the City Council. It is possible that the assumption of redevelopment authority by the City Council could streamline this dual approval process for redevelopment projects and programs.

Staff currently briefs City Council members regarding redevelopment projects and programs in their districts. Some City Council offices with many redevelopment projects receive weekly briefings. We do not know the amount of additional time that staff would need to spend briefing members of the City Council if they were the Redevelopment Agency. Because of all these factors it is difficult to estimate the amount of time that could be saved through City Council assuming Redevelopment Agency functions.

Please feel free to contact Otis W. Ginoza, Redevelopment Administrator, with any questions at (562) 570-5093.

Attachments: Exhibit A – City Council Assistance to the Agency
 Exhibit B – Agency Support to the General Fund
 Exhibit C – City Attorney E-mail

cc: Reginald I. Harrison, Deputy City Manager
 Barbara Kaiser, Redevelopment Bureau Manager
 Otis W. Ginoza, Redevelopment Administrator